



STATE OF TENNESSEE
BUREAU OF TENNCARE
DEPARTMENT OF FINANCE & ADMINISTRATION
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

October 7, 2005

Dear MCC:

Last year the Bureau enacted tough new conflict of interest and disclosure requirements for all TennCare contractors, including our Pharmacy Benefit Manager (PBM), Dental Benefit Manager (DBM) and all Managed Care Contractors (MCCs). In the past several weeks TennCare has received numerous inquiries relating to the new contractual requirements. The provisions are not intended to restrict or prohibit legal lobbying activity, but rather to enforce federal law and discourage abuse by shedding light on what have traditionally been poorly supervised activities.

TennCare's contractual requirement is that each MCC Chief Executive Officer (CEO) annually certify in writing that the company is compliant with federal law, i.e., that federal funds have not been used for lobbying, and that he or she has performed due diligence of all subcontractors, vendors, agents, representatives and providers with whom there is a verbal or written agreement for TennCare reimbursement.

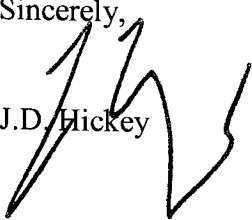
It is up to each MCC to define internal controls and procedures necessary to meet state due diligence requirements; however, as it relates to providers, the contractual requirement of due diligence is met upon completion of an annual notification to all providers with whom each MCC has verbal or written TennCare agreements, requiring disclosure to the MCC only for a narrow subset of activity: financial relationships with state or federal officials, formal lobbying activities, or gifts or gratuities directed toward state or federal officials. The State is not requiring certification from providers. TennCare does not consider memberships in or contributions to professional associations, political action committees or political election campaigns to be prohibited activities under the new requirements. As such, these activities do not require disclosure from any party.

We appreciate the seriousness with which our MCCs have approached our new conflict of interest and disclosure requirements as manifested in their communications to providers; however, TennCare will continue to facilitate this process by working with our MCC partners to provide written clarification as needed so that each MCC can assist providers. In the interim, we encourage the MCCs to convey this information to providers, to delay any existing or contemplated provider compliance with conflict of

interest and disclosure requirements, and to draft a template provider notification consistent with the Bureau's expectations.

Sincerely,

J.D. Hickey

A handwritten signature in black ink, appearing to be 'JDH' with a stylized flourish at the end.